

Message Text

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PAGE 01 STATE 015571 TOSEC 010116

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ORIGIN NODS-00

INFO OCT-01 ISO-00 /001 R

DRAFTED BY NEA/IAI:WTCLUVERIUS:SEB

APPROVED BY NEA:ALATHERTON,JR.

AID:RHNOOTER

S/S- FVORTIZ

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FM SECSTATE WASHDC

TO USDEL SECRETARY IMMEDIATE

S E C R E T STATE 015571 TOSEC 010116

NODIS

E.O. 11652:

TAGS: PFORIS, EAID

SUBJECT: ACTION MEMORANDUM: ALLON'S ECONOMIC REQUESTS

(S/S: 7601371)

FROM ATHERTON

1. I CALLED DINITZ JANUARY 21 TO INFORM HIM OF OUR RESPONSE TO ALLON'S APPARENT REQUEST FOR FURTHER UNTIED FUNDS FROM FY-76 MONIES. AS WE AGREED I WOULD DO, I SAID WE WERE SOMEWHAT PUZZLED BY ALLON'S REQUEST SINCE WE HAVE ALREADY MADE DOLS 150 MILLION AVAILABLE FROM FY-76 FUNDS AS UNTIED CASH GRANT.

2. DINITZ REPLIED THAT THERE MUST HAVE BEEN SOME CONFUSION DURING TALKS WITH ALLON; ISRAEL IS NOT ASKING FOR FURTHER UNTIED FUNDS IN FY-76 BUT IS ASKING FOR SUCH FUNDS IN FY-77. DINITZ SAID YOU AND HE HAD DISCUSSED THIS RECENTLY AND THAT DINITZ HAD TOLD YOU ISRAEL WOULD LIKE TO HAVE FROM FY-77 FUNDS DOLS 150 MILLION IN UNTIED GRANTS FOR PROCUREMENT FROM ISRAEL'S DEFENSE INDUSTRY

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AND DOLS 35 MILLION FOR OIL STORAGE CONSTRUCTION.

ACCORDING TO DINITZ, YOU SAID YOU COULD NOT SUPPORT A REQUEST FOR DOLS 185 MILLION BUT THAT YOU WOULD TRY TO GET DOLS 175 MILLION.

3. AS YOU KNOW, IN VIEW OF CONGRESSIONAL DISLIKE FOR THIS TYPE OF AID, OUR THINKING HAS BEEN THAT THE TREND IN THE AMOUNTS OF UNTIED CASH GRANTS OUGHT TO BE DOWN. IN LINE WITH THIS, THE CONGRESSIONAL PRESENTATION NOW IN PREPARATION HAS DOLS 75 MILLION IN UNTIED FUNDS FOR ISRAEL. THIS PRESENTATION IS SCHEDULED TO GO TO THE PRINTER JANUARY 24, AND TO CONGRESS FEBRUARY 15, AND ANY CHANGES WE MIGHT REQUEST OF OMB OUGHT TO BE SUBMITTED ON AN URGENT BASIS. IT IS ALSO IMPORTANT TO NOTE THAT THE PEG UPON WHICH ISRAEL HANGS ITS REQUESTS FOR DOLS 150 MILLION OF UNTIED FUNDS--PROCUREMENT FROM ITS DEFENSE INDUSTRIES IN ORDER TO SPUR THEIR GROWTH--IS REALLY NOT A VALID BASIS SINCE ISRAELI PROCUREMENT FOR THIS PURPOSE IS NO DIFFERENT NOW THAN IN PRIOR YEARS, AND HAS ALWAYS BEEN TAKEN INTO ACCOUNT WHEN CONSIDERING ISRAELI BALANCE OF PAYMENTS NEEDS. THERE IS SOME VALIDITY TO THE OIL STORAGE REQUEST, AND THE PRESENT DOLS 75 MILLION CASH GRANT FOR FY 1977 IS A GENEROUS RESPONSE TO THAT NEED. (ORIGINALLY FY 1977 PROGRAM INCLUDED NO CASH GRANT ELEMENT BUT WE SOUGHT AND OBTAINED RELUCTANT OMB APPROVAL OF DOLS 75 MILLION LEVEL AFTER ISRAELIS MADE CONVINCING CASE ON BASIS OF OIL STORAGE.)

4. OPTIONS FOR HANDLING THIS PROBLEM ARE:

A. REQUEST CHANGE IN FY-77 PRESENTATION TO REFLECT DOLS 175 MILLION UNTIED GRANT FOR ISRAEL. THIS COULD GIVE US SERIOUS PROBLEMS ON THE HILL, AND WOULD RAISE BUDGET OUTLAY PROBLEMS FOR THE PRESIDENT'S FY 1977 BUDGET.

B. PURSUE DOWNWARD TREND IN UNTIED CASH GRANT ASSISTANCE BY INCLUDING DOLS 75 MILLION, AS WE ARE PLANNING TO DO, IN CONGRESSIONAL PRESENTATION NOW BEING PREPARED.

5. RECOMMENDATION. THAT YOU CONFIRM THAT DOLS 75 MILLION FIGURE NOW IN OUR DOCUMENTS IS LEVEL YOU WISH FOR ISRAEL
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IN FY-77. APPROVE DISAPPROVE
ALTERNATIVELY, THAT WE RECOMMEND ONE OF FOLLOWING FIGURES:
DOLS 175 MILLION DOLS 150 MILLION
DOLS 100 MILLION DOLS 50 MILLION

6. CLEARANCE:AID:RHNOOTER. SISCO

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NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TOSEC, DIPLOMATIC DISCUSSIONS, CAT-C, FOREIGN ASSISTANCE PROGRAMS
Control Number: n/a
Copy: SINGLE
Draft Date: 22 JAN 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: MartinML
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976STATE015571
Document Source: CORE
Document Unique ID: 00
Drafter: WTCLUVERIUS:SEB
Enclosure: n/a
Executive Order: R9
Errors: N/A
Film Number: P840090-2045, N760001-0452
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760131/aaaabazy.tel
Line Count: 113
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN NODS
Original Classification: SECRET
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: NODIS
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: SECRET
Previous Handling Restrictions: NODIS
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: MartinML
Review Comment: n/a
Review Content Flags:
Review Date: 28 JUL 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <28 JUL 2004 by coburnhl>; APPROVED <03 NOV 2004 by MartinML>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ACTION MEMORANDUM: ALLON'S ECONOMIC REQUESTS (S/S: 7601371)
TAGS: PFOR, EAID, IS, US, (ALLON, YIGAL), (DINITZ, SIMCHA)
To: SECRETARY
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006